



You are here: | [Home](#) | [Business](#)

Rented keg business has legs

10 Mar 2016

Author: Nigel Bowen

Keg rental business Kegstar has shaken up the beer industry in Australia, helping set off a craft beer revolution. Having secured the backing of global logistics company Brambles, Kegstar's founder and CEO now has his sights set on securing partnerships with brewers throughout the UK, Europe and the US.

Tags

[Entrepreneur](#)
[Innovation](#)
[Subject](#)
[Business](#)



Adam Trippe-Smith was fated to be an entrepreneur. An accountancy graduate and the son of small business owners, he was one of the first employees of UK entrepreneur Sir Stelios Haji-Ioannou's private investment company easyGroup. Inspired by his experience working for the founder of low-cost airline EasyJet, he returned home to Australia and in 2008 launched his first business, McLaren Vale Beer Company.

In two years he grew it from a one-man operation to one of Australia's largest private beer companies. By the time Trippe-Smith exited in late 2011, the business was selling one million litres of beer across Australia. Which is when he began thinking about the gap in the market for a keg rental business.

In Australia, as elsewhere, beer makers typically buy their kegs and arrange for them to be sent out to customers then returned. That's a sensible strategy for large operators with economies of scale. But, as Trippe-Smith discovered firsthand, it's a stumbling block for craft brewers with limited capital and resources.

"First off, buying a stainless steel keg is no simple matter," Trippe-Smith says. "You've got to arrange to have them shipped out from Europe. That takes at least four months. Next, they cost \$130 to \$150 each and if you buy them in the standard 1000-unit container load, that's \$130,000 to \$150,000 of your capital gone; capital that would almost certainly be better spent on brewing equipment or branding. Finally, after getting the kegs you have to ship them to customers who are hundreds or thousands of kilometres away, then arrange to get them back, hoping not too many go missing in transit."

In 2012, Trippe-Smith launched Australia's first keg rental business Kegstar. Using the proceeds from the sale of his first business, he bought a container of kegs, got an Adelaide design firm to develop the branding and lined up distributors to truck his kegs around the nation.

While he's hesitant about claiming too much credit for the explosive growth of Australia's craft beer industry post 2012, Trippe-Smith believes Kegstar played a vital role.

"It's not such an issue when craft brewers are just operating in their hometown but as soon as they want to scale up, they run into logistical issues. It's just not cost-effective for smaller or even medium-sized operators to own and transport kegs. It's smarter for them to outsource that side of things and concentrate on making great beer," he says.

Kegstar (company slogan: "We own the kegs so you don't have to") now handles distribution for around two-thirds of Australia and New Zealand's craft brewers. "It soon got to the point that when someone was considering launching a craft brewery, one of the first things they would do is come to Kegstar. Then they would build their business model around our keg fleet," Trippe-Smith says.

Aside from cost savings, Kegstar also offers its customers valuable big data. "I had the advantage of starting with a blank sheet of paper, which meant I could have every keg both barcoded and tagged with a radio frequency identification device from the get-go," Trippe-Smith says. "As far as I know, Kegstar has the only fleet in the world where every keg is continuously tracked throughout the value chain."

Kegstar developed software that enables a brewer to see on their mobile phone whether their kegs are still in the brewery, in a warehouse, or at the pub, allowing them to improve their operations in all sorts of ways.

“For example, when we started it was taking an average of 50 days for a keg to get from a brewer to a pub,” says Trippe-Smith. “Thanks to the data we provided them, brewers were able to improve their supply chain performance, which reduced the time to around 30 days. Among other things, speeding up the process by 20 days resulted in fresher, better-tasting beer.”

Kegstar was an overnight success in Australia, so Trippe-Smith soon went looking for the capital to enter the New Zealand market. Shane Bradley, a former colleague and friend of Trippe-Smith based in Auckland, bought in. After successfully expanding across the Tasman, Trippe-Smith and Bradley got to thinking about conquering the world.

“Things were really taking off. The thinking was we should have a swing at going large,” he explains. “To scale up we had to buy more kegs, which required a lot more capital. I thought it made sense to approach a logistics provider with a global footprint. Brambles was at the top of the wish list. I emailed the Brambles CEO and it turned out he was interested. Long story short, Brambles bought 30 per cent of Kegstar in March 2014 and 100 per cent in December 2015.”

Trippe-Smith confesses he’d “be lying if I said selling wasn’t difficult”. But, as well as an impressive bank balance, he’s now getting to enjoy “the backing of the world’s largest asset pooler and the chequebook required to compete on the global stage”. And compete he is. Brambles retained Trippe-Smith as Kegstar’s CEO and greenlit his aggressive growth strategy. “We’ve gone from having 2,000 kegs and two and a half employees when Brambles first got involved to 50,000 kegs and 14 staff now,” he says. “At the start of 2016 we opened our UK office. There’s nothing like Kegstar over there at present and I’m betting Great Britain will be the next place craft beer takes off.”

Kegstar has already started shipping beer made by the first customer it ever signed – Stone and Wood, based in the coastal town of Byron Bay in New South Wales – to pubs across London. In the not too distant future, Trippe-Smith believes Kegstar customers in Australia, New Zealand and the UK could all have easy access to each other’s markets. And now a beachhead has been established in the UK, the plan is to push into Europe, then the US, meaning even more opportunities for craft brewers around the world to go global.

“The Brambles connection means there are opportunities from Spain to South Africa,” Trippe-Smith says. “The craft beer economy in America is the most sophisticated in the world and there are keg rental businesses there, but I’m confident Kegstar can compete.

“Kegstar is enjoying well over 100 per cent growth per annum and currently has annual revenues of around A\$5 million. The plan is to grow it to a A\$200 million a year business and I’m having a lot of fun overseeing the global rollout.”

For more information visit

- www.kegstar.com [<http://www.kegstar.com>]

© Copyright 2016 Australian Trade Commission. All Rights Reserved.